

Message Text

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ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 SS-15 NSC-05 L-03 TAR-01 /068 W

----- 105261

R 091505Z JUN 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9655

INFO AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 4563

E. O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: POSSIBLE EXPORT SUBSIDIES ON SOYBEAN OIL

REF: STATE 128039

1. AS WASHINGTON AGENCIES ARE WELL AWARE, BRAZIL'S EXPORT INCENTIVE SYSTEM IS APPLICABLE ACROSS-THE-BOARD, COVERING ALL BRAZILIAN EXPORTS. SOYBEANSOIL, THEREFORE, CAN PRESUMABLY BENEFIT FROM THE SAME INCENTIVES AS CASTOR OIL. HOWEVER, A TREASURY DEPT. LEARNED DURING THE COUNTERVAILING DUTY INVESTIGATION ON SHOES, THERE IS A SIGNIFICANT DIFFERENCE BETWEEN THE MERE AVAILABILITY OF EXPORT INCENTIVES AND THE DEGREE TO WHICH THEY ARE UTILIZED BY INDIVIDUAL EXPORTERS. TREASURY FOUND THAT THE UTILIZATION RATE IS, AMONG OTHER THINGS, A FUNCTION OF A FIRM'S TOTAL SALES, THE EXPORT/TOTAL SALES RATION, PROFITS, ETC.. CONSEQUENTLY, TO DETERMINE THE EXISTENCE OR NON-EXISTENCE OF A SUBSIDY, UNDER THE U.S. COUNTERVAILING DUTY LAW AS ADMINISTERED BY THE DEPARTMENT OF THE TREASURY, REQUIRES A THOROUGH INVESTIGATION OF THE FISCAL DATA OF THE EXPORTING FIRMS. THIS, AS DEPARTMENT AND TREASURY KNOW, IS A VERY CUMBERSOME PROCESS TOUCHING ON VERY LIMITED OFFICIAL USE

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SENSITIVE AREAS AND REQUIRING THE COOPERATION OF

BOTH THE GOB AND PRIVATE EXPORTERS. IN ADDITION,
WE ASSUME THAT, SHOULD A SUBSIDY EXIST ON BRAZILIAN
SOYBEAN OIL EXPORTS, ITS IMPACT WOULD BE FELT BY
U.S. EXPORTS TO THIRD COUNTRIES (WE ASSUME THE U.S.
DOES NOT IMPORT BRAZILIAN SOYBEAN OIL) AND IS NOT
DIRECTLY AFFECTING THE U.S. MARKET.

2. GIVEN THE STILL UNDEFINED NATURE OF THE PROBLEM
AND THE SENSITIVITIES SURROUNDING IT, THE EMBASSY
WOULD STRONGLY RECOMMEND THAT THE MATTER NOT REPEAT
NOT BE BROUGHT UP DURING SECRETARY BUTZ'S VISIT.
CRIMMINS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, VEGETABLE OILS, SOYBEAN OIL, EXPORT SUBSIDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BRASIL04563
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750200-1228
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750666/aaaacian.tel
Line Count: 73
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 128039
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2003 by WorrelSW>; APPROVED <04 SEP 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POSSIBLE EXPORT SUBSIDIES ON SOYBEAN OIL
TAGS: ETRD, BR, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006